

State Opportunities to Address Prescription Costs in Medicaid

The Commonwealth Fund/Alliance for Health Policy

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1

Why Are States Acting?

A. Costs

- Rx costs rapid & unpredictable
 - Generics
 - Specialty Drugs
- State Medicaid Rx spend ↑ 25% 2014, 14% 2015
 - CMS predicts 6% growth 2016 – 2025
- Part D “Clawback”
- 21st Century Cures → Fast Tracking

B. Balanced Budget Requirements



2

Why Are States Acting?(cont.)

C. States Lack Commercial Tools

- Closed Formularies
- Co-pays

D. States Can't Wait For Feds

- History of states as laboratories of experimentation
(CHIP, Mental Health Parity, ACA, etc.)



3

How Are States Approaching Rx Costs?

- 160 Bills - 2018 Session
- PBMs – 84 Bills (14 laws)
- Transparency – 26 Bills (CA, OR, NV, VT, ME)
- Importation – 8 Bills
- Price Gouging – 12 Bills (MD)
- Rate Setting – 3 Bills (MD, NJ, MN)

<https://nashp.org/state-legislative-action-on-pharmaceutical-prices/>



4

Medicaid-Only Reforms

3 State Demos

- DE – Common PDL
- CO – Physician Administered Rx/payment reform
- OR – Value Based Purchasing
SMART-D



5

The Challenge of Cost Controls & Medicaid

- “Grand Bargain” – Best Price / Rebates
- Cannot limit Rx
- Tools inadequate: PDL, Prior Approval, Step Therapy, Limits



6

Promising Approaches

- New York - Budget Cap
- Target High Cost Rx
 - Review Value – DUR
 - Seek “Supplemental/supplemental”
- or
- Move Rx to prior approval: remove from managed care formulary
 - Track other payers re: exclusion



7

Promising Approaches (cont'd.)

- MA – Seeks 1115 Waiver (in negotiation)
- Close Formulary
 - Limit when “fast track” drugs come onto formulary
 - Specialty Pharmacy

Role of consumer groups & PhRMA funding



8

What could the Federal government do?

- HHS/IG Audit Best Price & AMP
- Allow states to leverage Medicaid with other public purchasers.
- Allow states to share supplemental rebate information.
- Give states commercial tools – close formularies, selective contacting.
- Allow delay of “fast track” Rx coverage
- Update rebate program
- PBM Impact – IG could require disclosure of manufacturer discounts to health plans/”Best Price” calculations.

9



For more information

<https://nashp.org/center-for-state-rx-drug-pricing/>

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10

